

Message Text

PAGE 01 STATE 153676
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TO AMEMBASSY CANBERRA

C O N F I D E N T I A L STATE 153676

E.O. 11652:NA

TAGS: PPDC, AS

SUBJECT: LETTER TO PRIME MINISTER FRASER

1. THERE FOLLOWS TEXT OF JUNE 13 LETTER FROM PRESIDENT
CARTER TO PRIME MINISTER FRASER:

QUOTE: DEAR MALCOLM: I WAS PLEASED TO HEAR OF THE POSITIVE
REACTION TO YOUR DISCUSSIONS WITH VICE PRESIDENT MONDALE.
HE HAS TOLD ME THAT HE FOUND HIS VISIT TO AUSTRALIA AND
HIS TALKS WITH YOU HELPFUL AND CONSTRUCTIVE.

I SHARE YOUR CONCERN ABOUT THE DANGERS OF PROTECTIONISM
AND THE NEED FOR A SUCCESSFUL CONCLUSION OF THE MULTILATERAL
TRADE NEGOTIATIONS (MTN). I WILL NOT CONSIDER THESE
NEGOTIATIONS A SUCCESS UNLESS THEY LEAD US TOWARD SIGNIFI-
CANT LIBERALIZATION OF WORLD TRADE IN AGRICULTURAL PRODUCTS.
WE INTEND TO CONTINUE TO WORK WITH YOU AND OUR OTHER
NEGOTIATING PARTNERS TO ACHIEVE THAT GOAL. CLEARLY, NO
COUNTRY WILL ACHIEVE ALL OF ITS OBJECTIVES IN THE NEGOTIA-
CONFIDENTIAL

PAGE 02 STATE 153676

TIONS, BUT I BELIEVE THE WILL EXISTS TO SOLVE THE URGENT
PROBLEMS FAIRLY. BOB STRAUSS AND I RECOGNIZE THAT AUSTRALIA
SHARES THESE OBJECTIVES AND WE HOPE YOU CAN IMPROVE
AUSTRALIA'S OFFERS TO MAKE SUCCESS MORE LIKELY.

YOU ARE RIGHT TO ATTACH SPECIAL IMPORTANCE TO
IMPROVING TRADE RELATIONS WITH THE DEVELOPING COUNTRIES.
I EXPECT THESE COUNTRIES -- ESPECIALLY THE MORE ADVANCED
OF THEM -- TO BENEFIT FROM THE TOKYO ROUND AND TO
CONTRIBUTE TO ITS SUCCESS.

IN UNCTAD DISCUSSIONS ON INDIVIDUAL COMMODITIES, WE HAVE SUPPORTED INTERNATIONAL STABILIZATION MEASURES WHERE CONDITIONS WARRANTED, AS THEY DID WITH SUGAR. WE WANT TO REACH AGREEMENT ON A COMMON FUND. BUT WE THINK THE OECD PROPOSALS OFFER THE MOST REASONABLE PROSPECT FOR SUCCESSFUL NEGOTIATIONS AND SHOULD GET MORE ATTENTION FROM THE DEVELOPING COUNTRIES. WE ALSO THINK THE DEVELOPING COUNTRIES' PROPOSAL THAT THE COMMON FUND SERVE AS A CENTRAL SOURCE OF FINANCIAL SUPPORT FOR INTERNATIONAL COMMODITY AGREEMENTS IS UNNECESSARY TO PROMOTE OUR SHARED OBJECTIVE, COMMODITY-MARKET STABILIZATION. WE FAVOR THE FINANCING OF OTHER MEASURES TO ADDRESS THE PROBLEMS OF SPECIFIC COMMODITIES, BUT WE DO NOT SEE THE NEED FOR A FINANCIAL ROLE FOR THE COMMON FUND IN THIS AREA.

I SEE A NEED TO ADVANCE PREPARATIONS FOR THE UNCTAD V MEETING THROUGH CONSULTATIONS AMONG DEVELOPED AND DEVELOPING COUNTRIES. I WOULD ALSO WELCOME REGULAR EXCHANGES OF VIEWS AND IDEAS BETWEEN SENIOR OFFICIALS OF OUR GOVERNMENTS. BEST REGARDS, SINCERELY, JIMMYCARTER
END QUOTE.

CONFIDENTIAL

PAGE 03 STATE 153676

2. PRESIDENT'S LETTER IS IN RESPONSE TO FOLLOWING
MAY 22 LETTER FROM PRIME MINISTER FRASER

QUOTE: MY DEAR JIMMY, THANK YOU FOR YOUR LETTER WHICH FRITZ MONDALE HANDED ME DURING HIS RECENT VISIT TO CANBERRA.

MY COLLEAGUES AND I FOUND OUR DISCUSSIONS WITH THE VICE PRESIDENT MOST USEFUL AND CONSTRUCTIVE. WE ATTACH GENUINE IMPORTANCE TO CONSULTATIONS WITH YOU AND SENIOR MEMBERS OF YOUR ADMINISTRATION, AND IN PARTICULAR WE WELCOMED THE OPPORTUNITY FOR TALKS WITH THE VICE PRESIDENT.

THOSE TALKS REPRESENTED A VALUABLE CONTINUATION OF THE DISCUSSIONS I HAD WITH YOU IN WASHINGTON LAST YEAR. ON THAT OCCASION I BELIEVE WE WERE ABLE TO GAIN

A MUCH CLEARER IDEA OF EACH OTHER'S VIEWS AND INTERESTS IN A WIDE RANGE OF AREAS - BILATERAL, REGIONAL AND GLOBAL.

WE WERE REASSURED BY THE VICE PRESIDENT'S CLEAR STATEMENT OF YOUR ADMINISTRATION'S TOTAL COMMITMENT TO THE ANZUS TREATY AND HIS REAFFIRMATION OF CLOSE UNITED STATES INTEREST IN AND COMMITMENT TO THE ASIA/PACIFIC REGION.

I ATTACH PARTICULAR IMPORTANCE TO OUR DISCUSSIONS OF INTERNATIONAL ECONOMIC ISSUES. PERHAPS MORE THAN ANYONE YOU WILL BE AWARE OF THE VERY DIFFICULT PROBLEMS OF THE WORLD ECONOMY OF THE 1970S. IN THE LAST FEW YEARS THERE HAS BEEN ONLY MODERATE GROWTH IN THE MAJOR ECONOMIES AND THE MOMENTUM OF THE PRESENT RECOVERY IS QUITE FRAGILE. CONFIDENCE IS LACKING AND THERE ARE INCREASING PRESSURES ON GOVERNMENTS FROM SECTIONAL
CONFIDENTIAL

PAGE 04 STATE 153676

INTERESTS. THE DANGERS OF PROTECTIONISM ARE INCREASING AS COUNTRIES COMPETE FOR GREATER NATIONAL SHARES OF EXISTING MARKETS.

I KNOW YOU WILL AGREE WITH ME THAT THIS SORT OF DESTRUCTIVE COMPETITION MUST BE AVOIDED. THE REAL HOPE LIES, I BELIEVE, IN EXPANDING MARKETS AND INCREASING TRADE OVERALL. THAT IS WHY I ATTACH SUCH IMPORTANCE TO THE CURRENT ROUND OF MULTILATERAL TRADE NEGOTIATIONS AND TO DISCUSSIONS WITHIN THE UNCTAD. I BELIEVE THAT A BROADLY-BASED LIBERALIZATION OF TRADE CAN BE THE ONLY BASIS FOR SUSTAINED AND STABLE GLOBAL ECONOMIC GROWTH. IT MUST COVER NOT ONLY THE IMMEDIATE INTERESTS OF THE ADVANCED INDUSTRIALIZED ECONOMIES BUT ALSO THOSE OF AGRICULTURAL PRODUCING NATIONS AND THE REST OF THE WORLD.

I WOULD BE LESS THAN FRANK WITH YOU IF I DID NOT EXPRESS MY GRAVE DOUBTS ABOUT THE CURRENT PROPOSAL FOR A 40 PER CENT AVERAGE WEIGHTED TARIFF CUT AS A MAJOR INITIATIVE IN THE MTN. AS I SEE IT, THE FORMULA CUT, IF ACHIEVED, WOULD NOT HAVE A MAJOR EARLY IMPACT ON TRADE AMONG INDUSTRIALIZED NATIONS AND WOULD DO LITTLE TO-EXPAND MARKETS WORLD-WIDE IN THE SHORT TERM. WITH SPREAD OVER EIGHT YEARS FROM 1980, THIS AMOUNTS TO AN AVERAGE OF ONLY HALF A PER CENT REDUCTION IN TARIFFS EACH YEAR. WHILE I APPRECIATE THAT A SUCCESSFUL CONCLUSION TO THE NEGOTIATIONS ON INDUSTRIAL TARIFFS COULD HAVE AN IMPORTANT SYMBOLIC AND PRACTICAL BEARING ON THE INTERNATIONAL TRADE OUTLOOK, THE BENEFITS OF SUCH SMALL

TARIFF REDUCTIONS COULD TEND TO BE NEGATED BY RELATIVELY MINOR MOVEMENTS IN CURRENCY VALUES.
CONFIDENTIAL

PAGE 05 STATE 153676

SECONDLY, AND OF EQUAL IMPORTANCE I FEEL, THE PROPOSED FORMULA WOULD BE VERY UNEQUAL IN ITS EFFECT. WHILE IT COVERS ABOUT 40 PER CENT OF THE EXPORTS OF NORTH AMERICA, EUROPE AND JAPAN, IT COULD COVER AS LITTLE AS FIVE PER CENT OF THE EXPORTS OF COUNTRIES

SUCH AS AUSTRALIA AND MUCH OF THE DEVELOPING WORLD.
IN ESSENCE, IF THE MTN IS TO PROVIDE A SIGNIFICANT
EARLY STIMULUS TO WORLD TRADE ITS FINAL OUTCOME MUST
EMBRACE A SUBSTANTIAL LIBERALIZATION OF TRADE IN
AGRICULTURE AS WELL AS MANUFACTURED PRODUCTS.

YOU WILL BE AWARE I KNOW OF THE IMPORTANCE
AUSTRALIA ATTACHES TO MEANINGFUL CONCESSIONS ON
AGRICULTURE WITHIN THE FRAMEWORK OF THE MTN, AND I
APPRECIATE THE EFFORTS YOUR GOVERNMENT HAS MADE TO
HAVE AGRICULTURE INCLUDED IN THE MTN.

BUT AUSTRALIA'S CONCERN GOES BEYOND OUR OWN
NATIONAL INTERESTS. AGRICULTURE IS OF CRITICAL
IMPORTANCE TO MOST OF THE DEVELOPING WORLD. IF THE
DEVELOPING COUNTRIES ARE TO REALIZE THEIR VAST POTENTIAL
FOR DEVELOPMENT AND CONTRIBUTE AS THEY MIGHT TO SUSTAINED
GLOBAL ECONOMIC GROWTH, THEN THEIR TRADING INTERESTS
CANNOT BE SET ASIDE AS HAS HAPPENED SO MANY TIMES IN
THE PAST. FAILURE TO HELP MEET THEIR NEEDS WILL ONLY
BREED RESENTMENT AND BITTERNESS AND COULD DO GRAVE
DAMAGE TO THE INTERESTS OF THE WEST.

IN MANY CASES THE DEVELOPING COUNTRIES' INTERESTS
WILL NEED SPECIAL CONSIDERATION. I BELIEVE WE AS
DEVELOPED NATIONS SHOULD BE PREPARED TO MAKE CONCESSIONS
TO THEM IN THE MTN AND THE UNCTAD NEGOTIATIONS ON THE
COMMON FUND.

MERELY HOLDING THE LINE AGAINST PROTECTIONISM AND
CONFIDENTIAL

PAGE 06 STATE 153676

PRESERVING THE STATUS QUO WILL NOT SERVE THE PURPOSE.
I BELIEVE STRONGLY THAT THERE MUST BE POSITIVE AND
TANGIBLE ADVANCES TO EXPAND THE TRADING OPPORTUNITIES
OF ALL NATIONS IF EXPECTATIONS OF ENHANCED LIVING
STANDARDS ARE TO BE REALIZED THROUGHOUT THE WORLD.

I KNOW THAT ALL WESTERN LEADERS ARE VERY MUCH
CONCERNED WITH THE PROBLEMS POSED BY THE CURRENT
INTERNATIONAL ECONOMIC SITUATION. YOUR OWN STATEMENTS
IN SOUTH AMERICA AND AFRICA AND ALSO THOSE RECENTLY
OF JIM CALLAGHAN HOLD OUT THE HOPE THAT SOME REAL

PROGRESS MAY BE ACHIEVED. I WAS ALSO ENCOURAGED BY
MY DISCUSSIONS IN TOKYO WITH PRIME MINISTER FUKUDA JUST
BEFORE HIS DEPARTURE FOR WASHINGTON LAST MONTH. BUT
WHILE THERE APPEARS TO BE SOME WILLINGNESS TO MOVE
AHEAD ON THE PART OF SOME INDIVIDUAL EUROPEAN LEADERS,
I AM NOT CONFIDENT THAT WITHOUT SOME FURTHER OUTSIDE
PRESSURE THE EUROPEAN COMMUNITIES AS A WHOLE WILL FULFILL
THEIR OBLIGATION AS A MAJOR AND POWERFUL WORLD ECONOMIC

ENTITY.

1978 IS A YEAR WHEN IMPORTANT DECISIONS WILL BE TAKEN
WHOSE EFFECT COULD EXTEND WELL BEYOND THE PRESENT DECADE.
I AM SURE THAT YOU AND OTHER MAJOR LEADERS WILL BE VERY
MUCH AWARE OF THIS WHEN YOU MEET IN BONN IN JULY.

A LIBERAL TRADING NATION AND HAS PROVIDED A LEAD TO
OTHERS IN PROMOTING INTERNATIONAL ECONOMIC GROWTH. I
BELIEVE THAT YOUR GOVERNMENT CAN AND WILL PROVIDE THE
SORT OF LEADERSHIP REQUIRED TO ENCOURAGE GREATER
COMMITMENT AND CO-OPERATION IN THE PRESENT INTERNATIONAL
EFFORT.

CONFIDENTIAL

PAGE 07 STATE 153676

I BELIEVE THESE MATTERS ARE OF GREAT IMPORTANCE TO
THE ECONOMIC HEALTH OF THE WORLD. I ALSO BELIEVE THAT
YOU AS PRESIDENT OF THE UNITED STATES HOLD THE KEY
TO THE SUCCESSFUL RECONCILIATION OF THE DIFFERING
NATIONAL INTERESTS WHICH IS NEEDED TO PRODUCE AN
ENDURING AND EQUITABLE RESOLUTION OF CURRENT DIFFICULTIES,
AND THAT YOU ARE PROBABLY THE ONLY PERSON WHO CAN MOTIVATE
AND ACHIEVE A PROPER OUTCOME TO THE DIFFICULTIES THAT
ARE OF SO MUCH CONCERN TO ALL OF US. IT IS BECAUSE OF
THIS THAT I HAVE BEEN ANXIOUS TO MEET WITH YOU AGAIN
BEFORE FIRM DECISIONS ARE MADE. YOURS SINCERELY,
(MALCOLM FRASER)END QUOTE.

3. EMBASSY IS REQUESTED TO TRANSMIT PRESIDENT'S LETTER
TO PRIME MINISTER. SIGNED ORIGINAL BEING POUCHED
TO POST. NEWSOM

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<< END OF DOCUMENT >>

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